SGGF VII

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

SASKATCHEWAN GOVERNMENT
GROWTH FUND VII LTD.

Fund Profile & Financial Results 1

Board of Directors and Officers 2

Message to Investors 3

Investment Profiles 4

Management Discussion & Analysis 6

Responsibility for Financial Statements 8

Auditors' Report 9

Consolidated Financial Statements 10

Notes to the Consolidated Financial Statements 13

Corporate Data 20

CrownAg International Inc.

Cover Photo Credit: Tourism Saskatchewan/David Buckley

Saskatchewan has 100,000 lakes and rivers, and more than 50 documented canoe routes for all skill levels. Whether you plan a trip yourself, or choose a guided trip offered by one of our experienced outfitters, Saskatchewan offers a wealth of canoeing experiences for you and your family. Challenge yourself with an adventure on the Clearwater River, or paddle calmly as you explore the many pristine lakes and rivers in and around Prince Albert National Park, and Saskatchewan's numerous provincial parks.

102-05033/

FUND PROFILE

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.

Qu... ...rgy Ltd.

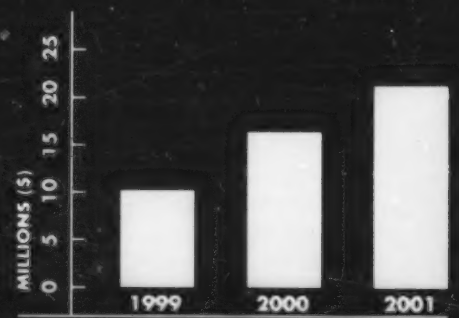
Barton Cabinets Ltd.

Prairie Plant Systems Inc.

FINANCIAL RESULTS

SGGF VII ended the year with a loss of $599,000. The loss was due to additional payments made to investors to compensate them for the extension of the maturity dates of their notes. The accumulated deficit in the fund is $269,000.

- A total of $5.1 million was invested in six eligible businesses during the year. Of this, $2.0 million has been invested in small and medium-sized enterprises and $3.1 million in low-risk infrastructure loans.
- Income from investments was $275,000.
- Notes issued total 47, with 39 subscribers awaiting note issuance and an additional 31 subscribers yet to complete their subscription requirements.
- To date, SGGF VII has raised $21.9 million from 117 investors.



TOTAL SUBSCRIPTIONS

TOTAL REVENUE

BOARD OF DIRECTORS AND OFFICERS

Gary Benson
President

Wilson Olive
Chair

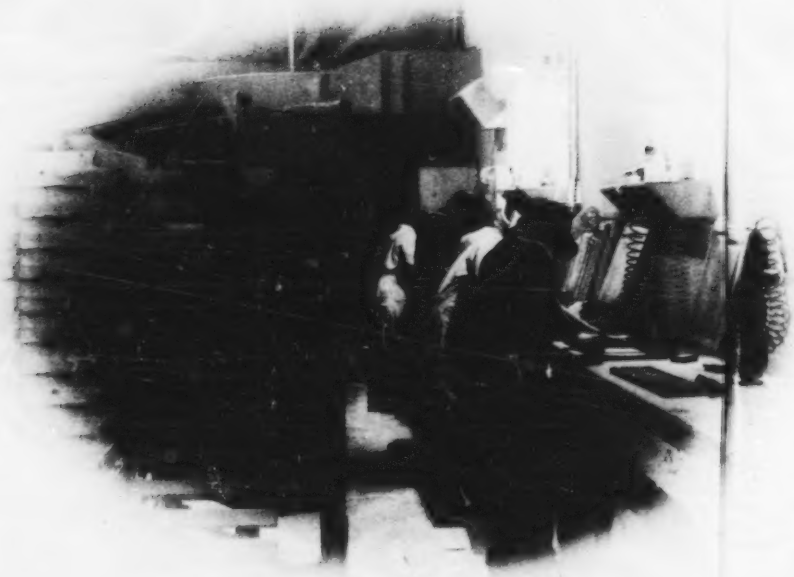
Darrel Cunningham
Director

Joanne Forer
Director

Gordon Mertler
Director

Keith Rissling
Director

Grant Scharfstein
Director



Burton Cabinets Ltd

MESSAGE TO INVESTORS

We are pleased to present the first annual report for the Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII" or the "Fund"). We are also proud of the fact that SGGF VII has facilitated your application for a Canadian visa under the Immigrant Investor Program ("IIP").

One of our primary responsibilities is to invest your and others $250,000 in accordance with the Confidential Offering Memorandum and the Regulations governing the Immigrant Investor Program, and to subsequently liquidate those investments after the five-year hold period has been satisfied and repay your $250,000.

Because investors subscribed to SGGF VI, SGGF VII and SGGF VIII at the same time, the Boards of Directors have decided to apportion each eligible investment among all three Funds in proportion to their relative size. In this way the investment risk will be spread among all Funds.

SGGF VII has experienced and continues to experience difficulty in finding sufficient numbers of investments, especially those for government infrastructure projects. Although the Fund did invest $5.1 million during 2001, it was not enough to start the five-year hold period for a number of investors within nine months of placing their subscription amount with the Fund. Under the IIP, the Fund is required to invest at least 70% of an investor's subscription amount in an eligible business within 9 months of receipt. At the end of the year there were 35 investors for whom the Fund had not met this requirement. The Fund has until June 30, 2002 to rectify this situation.

Investors whose investment in eligible businesses is delayed receive compensation from the Fund for the initial period of the delay. This compensation totaled $674,000 in 2001 and was the reason SGGF VII incurred a loss of $598,000.

Throughout 2001, the Board of Directors held 6 meetings in person and 3 by teleconference. Gerry Edwards resigned from the Board in June of 2001 as he relocated out of the Province. In January of 2002, Wilson Olive and Grant Scharfstein resigned as directors. We thank them and the remainder of the directors for their dedicated contribution to the Board. Lloyd Boutilier and Roland ("Rollie") Hardy were appointed to the Board of Directors in February of 2002, and Joanne Forer was elected Chair.

Joanne Forer
Chair

Gary K. Benson
President

Prairie Plant Systems Inc.

Quarus Energy Ltd.

CrownAg International Inc.

The following are company profiles of investments held by SGGF VII during 2001, including the approved investment level and a brief description of each company's operations.

INVESTMENT PROFILES

Burton Cabinets Ltd.
$263,152 Loan

Burton Cabinets is a Saskatoon, Saskatchewan-based custom cabinet and millwork manufacturer that markets its products in Canada and to the United States and Japan.

CrownAg International Inc.
$325,905 Loan

CrownAg International, located in Regina, Saskatchewan, has developed proprietary colour sorting technology and provides this service to the pulse crop processing industry.

Prairie Plant Systems Inc.
$503,062 Loan

Prairie Plant is a Saskatoon-based company involved in the innovation and delivery of new plant biotechnologies for environmental and commercial applications.

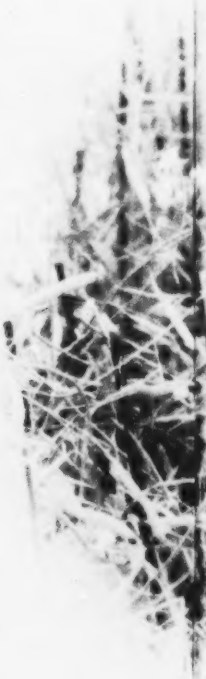
Quartus Energy Ltd.
$819,783 Common shares

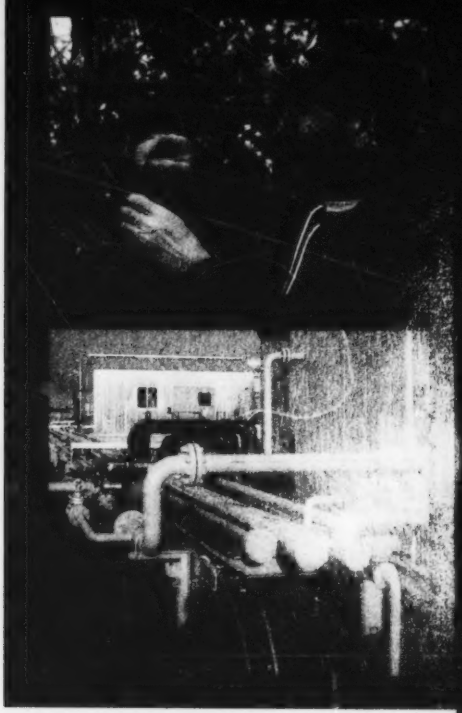
Quartus Energy is involved in the exploration, development and production of natural gas in and around Burstall, Saskatchewan.

Burton Cabinets Ltd.

Burton Cabinets Ltd.

CrownAg International Inc.





Prairie Plant Systems Inc

Quantus Energy Ltd

Tri-North Farms Limited Partnership
$244,429 Loans

Tri-North Farms is a limited partnership established to build and operate a 1,300 sow, two-site hog multiplier, near Medstead, Saskatchewan.

CAJON Leasing
$3,101,303 Loans

CAJON is located in Regina, Saskatchewan and purchases vehicles and equipment for lease to Saskatchewan government-controlled corporations.

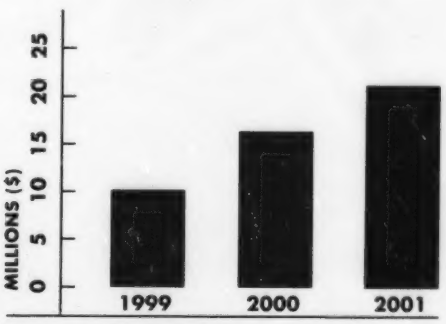
MANAGEMENT DISCUSSION AND ANALYSIS

SGGF VII commenced commercial operations in 1999 when it began to receive subscription deposits from investors. However, the first investments were made and Notes issued in 2001.

The focus for the fund during 2001 was twofold: attract the full subscription amount from the remaining subscribers and commence the investment of investors' capital in eligible Saskatchewan businesses.

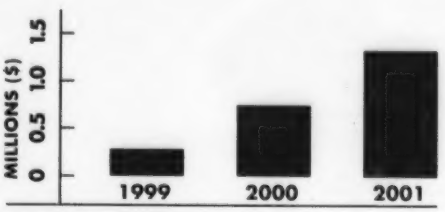
The Immigrant Investor Program contains provisions which require that the five year term to maturity of a Note be extended if, and for so long as, a minimum of 70% of the note subscription deposit ceases to be invested in the active business operations of eligible businesses. Because of delays in finding suitable investments, the fund decided that those investors' affected will receive an additional payment as compensation for the initial extension of the maturity date of their Notes.

A variable rate escrow and Note interest structure is used in order to facilitate continued financing of investor subscriptions. An investor's escrow and Note interest rate is determined at the time of full subscription and remains constant over the term of his/her investment.



TOTAL SUBSCRIPTIONS

The investment policy of the fund is to invest up to 50% of the subscription proceeds raised in low risk infrastructure loans, up to 30% in small and medium-sized enterprises (SMEs) in Saskatchewan and the remainder in cash or low risk liquid investments such as Government of Canada Treasury Bills or Bonds. The targeted ratio for the SME investments is 75% invested in debt instruments and 25% in equity.



TOTAL REVENUE

Investor Activities

At December 31, 2001, there were 117 subscriptions (2000 – 121) representing a potential fund size of $29.3 million (2000 – $30.3 million). To December 31, 2001, 86 full subscriptions (2000 – 63) had been received with 21 additional subscribers (2000 – 58) yet to complete their subscription requirements. In 2001 there were 4 withdrawals from the fund compared to 14 in 2000.

A total of 47 Notes were outstanding at the end of 2001 compared to 44 in 2000. The balance of investors' funds is recorded as subscription deposits pending Note issuance as described in the Confidential Offering Memorandum.

Of the $801,000 increase in interest on obligations to investors over 2000, the additional payments discussed above amounted to $674,000.

In accordance with the terms of the offering documents for SGGF VII, all investors with a Note outstanding at December 31, 2001 were paid interest for the year.

Prairie Plant Systems Inc.

Investment Activities

A total of $5.3 million was approved for investment during 2001 in six businesses. This includes $3.1 million (59%) relating to low risk infrastructure loans and $2.2 million (41%) in SMEs.

A total of $5.1 million was invested in eligible businesses during the year, of which $3.1 million was invested in low risk infrastructure loans and $2.0 million in SMEs. Debt instruments accounted for 59% of the SME amount invested while equity instruments comprised 41%.

The first investment income of the fund was earned in 2001 as the investments made during the year began to pay a return. The absence of investments in 2000 is the reason for the lack of investment income in that year.

Operating Activities

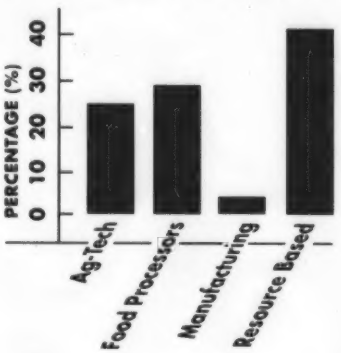
The administration and investment advisory services previously provided to SGGF VII by SGGF Management Corporation were contracted out to a fund manager in October 2000. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities of the fund, including investor obligations, have been paid.

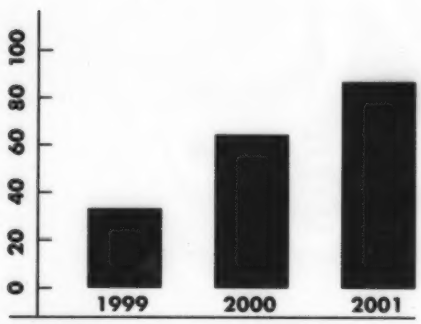
Funds held while awaiting investment in eligible businesses are invested in low risk debt instruments. Interest earned on these funds in 2001 is comparable to 2000. These revenues are used to pay for the ongoing operating costs of the fund and to provide investors with a nominal return while their subscriptions are in escrow.

Administration costs reflect expenditures related to the ongoing operations of the fund. These costs, excluding future fees, are up significantly over 2000. The increase reflects a difference in the base on which management fees are calculated. Previously, fees were based on actual costs plus a markup whereas they are currently based on obligations to investors.

Included in administration costs is an $82,000 recovery of (2000 – $82,000 provision for) future fees payable to the fund manager under the terms of its management services agreement with SGGF VII. This amount was recovered because of the loss experienced by the fund in 2001.

DISBURSED BY INDUSTRY (SMEs)





NUMBER OF FULL SUBSCRIPTIONS

Quorlus Energy Ltd

Burton Cabinets Ltd

Prairie Plant Systems Inc.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The President and fund manager carry out management of the fund. The accompanying consolidated financial statements of the Saskatchewan Government Growth Fund VII Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and estimates of management or the Board of Directors. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Crown Capital Partners Inc.

CrownAg International Inc.

AUDITORS' REPORT

To the Shareholder and Investors of Saskatchewan Government Growth Fund VII Ltd.:

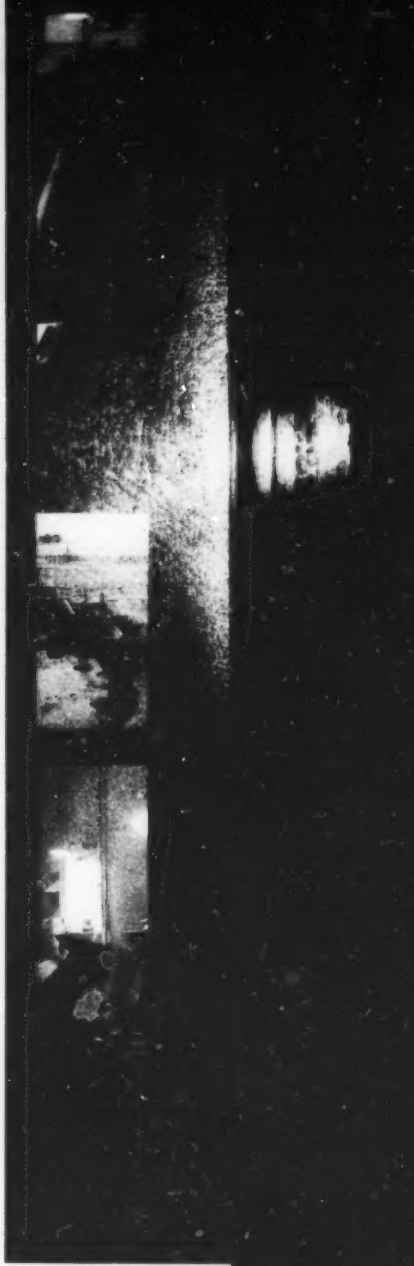
We have audited the Consolidated Statement of Financial Position of Saskatchewan Government Growth Fund VII Ltd. as at December 31, 2001, and the Consolidated Statement of Operations and Deficit and Consolidated Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 8, 2002



Prairie Plant Systems Inc.

Questus Energy Ltd

Burton Cabinets Ltd

CONSOLIDATED FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund VII Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Consolidated Statement of Financial Position
As at December 31

	2001	2000
Assets		
Cash	$ 2,414,394	$ 2,299,825
Portfolio investments (Note 4)	13,137,645	13,377,960
Accounts receivable and accrued income	505,278	49,129
Investments (Note 5)	4,817,963	-
Deferred costs (Note 6)	1,441,871	1,168,157
	$ 22,317,151	**$ 16,895,071**
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities (Note 7)	$ 164,909	$ 92,905
Commissions payable	40,000	67,500
Accrued interest payable to investors	491,589	58,450
Subscription deposits (Note 8)	10,138,487	5,345,375
Obligations to investors (Note 9)	11,750,000	11,000,000
	22,584,985	**16,564,230**
Share capital (Note 10)	1,000	1,000
(Deficit) retained earnings	(268,834)	329,841
	(267,834)	**330,841**
	$ 22,317,151	**$ 16,895,071**

Commitments (Note 15)

See accompanying notes to the consolidated financial statements

On behalf of the Board:

Director

Director

Prairie Plant Systems Inc.

Saskatchewan Government Growth Fund VII Ltd.

Consolidated Statement of Operations and Deficit
For the Year Ended December 31

	2001	2000
Revenues		
Interest from cash and portfolio investments	$ 735,164	$ 737,841
Income from investments	81,225	-
Lease revenue	194,214	-
Other income	23,808	19,200
	1,034,411	757,041
Expenses		
Administration (Note 12)	278,066	219,511
Interest on obligations to investors	893,917	92,969
Interest on subscription deposits	141,084	153,524
Amortization of deferred costs	184,286	91,205
Amortization of equipment on operating leases	135,733	-
	1,633,086	**557,209**
Net (loss) income	**(598,675)**	**199,832**
Retained earnings, beginning of year	329,841	130,009
(Deficit) retained earnings, end of year	**$ (268,834)**	**$ 329,841**

See accompanying notes to the consolidated financial statements

Saskatchewan Government Growth Fund VII Ltd.

Consolidated Statement of Cash Flows
For the Year Ended December 31

	2001	2000
Cash flows from operating activities		
Net (loss) income	$ (598,675)	$ 199,832
Adjustments:		
Amortization of equipment on operating leases	135,733	-
Amortization of deferred costs	184,286	91,205
Net change in non-cash balances related to operations (Note 13)	(436,506)	(566,854)
Cash flows from operating activities	**(715,162)**	**(275,817)**
Cash flows from investing activities		
Purchase of portfolio investments	(19,083,020)	(74,856,610)
Sale of portfolio investments	19,323,335	67,424,290
Disbursements on investments	(4,940,984)	-
Repayments of investments	123,021	-
Purchase of equipment on operating leases	(2,399,032)	-
Sale of equipment on operating leases	2,263,299	-
Cash flows from investing activities	**(4,713,381)**	**(7,432,320)**
Cash flows from financing activities		
Proceeds from note subscriptions	5,543,112	6,225,992
Cash flows from financing activities	**5,543,112**	**6,225,992**
Net increase (decrease) in cash	**114,569**	**(1,482,145)**
Cash, beginning of year	2,299,825	3,781,970
Cash, end of year	**$ 2,414,394**	**$ 2,299,825**
Interest paid during the year	$ 595,862	$ 241,426

See accompanying notes to the consolidated financial statements

Burton Cabinets Ltd.

Prairie Plant Systems Inc.

Quartus Energy Ltd

CrownAg International Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund VII Ltd. ("SGGF VII") was incorporated in February 1999 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF VII was established to raise $35,000,000 through a note offering. Each note is a variable rate (1½% to 3½%), unsecured, subordinated debt instrument with a cost of $250,000, redeemable in five years provided that 70% of the proceeds are maintained in eligible investments. SGGF VII commenced commercial operations in 1999 and achieved its minimum offering of 14 investors in March 1999. The marketing period for SGGF VII ended on March 31, 1999.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF VII is required to invest in Saskatchewan based businesses which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF VII or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Consolidation

The consolidated financial statements include the accounts of SGGF VII and those of 101005716 Saskatchewan Ltd. ("101005716") on a proportionate basis. 101005716 is an entity that is jointly controlled by SGGF VII and other SGGF fund companies. 101005716 was created to be an eligible business under the guidelines of the IIP. Loans from SGGF VII to 101005716 were used to purchase infrastructure-related assets that were leased to Saskatchewan Crown corporations under various operating leases. Principal and interest payments due under the loans to 101005716 matched the lease payments due under the operating leases.

In December 2001, 101005716 sold its equipment assets, net of accumulated amortization, to a third party entity established for the purpose of being an eligible business under the IIP guidelines. No gain or loss was realized on the sale and a loan was extended to this entity to purchase the assets.

Portfolio investments

Government of Canada Treasury Bills and Bankers' Acceptances are valued at cost. Portfolio investments in Government of Canada Bonds are valued at amortized cost, which approximates market value.

Investments

Investments include debt and equity investments in private companies. Investments are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF VII has significant influence are not consolidated.

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF VII's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of note issuance.

Commissions payable

According to the terms of marketing agreements entered into by SGGF VII, a commission is legally payable to the independent marketing agents selling the notes upon receipt by SGGF VII of the note subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

Accrued interest payable to investors

SGGF VII accrues interest on note subscription deposits from the date of deposit to the date of note issuance. Investors earn interest at a rate between one and one-half percent (1½%) and three and one-half percent (3½%) per annum. The rate is determined at the time of note subscription deposit.

Obligations to investors

Obligations to investors represent the notes issued to investors of SGGF VII. Interest on notes is accrued at an annual rate between one and one-half percent (1½%) and three and one-half percent (3½%) from the date of note issuance until maturity. The rate is determined at the time of note subscription deposit. Interest is paid annually on December 31 and at maturity.

3. Provisions of the IIP

70% investment requirement

SGGF VII is required to invest at least 70% of each note subscription deposit no later than nine months from receipt of the note subscription deposit.

By June 30, 2002 the fund has committed to its federal regulator, Citizenship and Immigration Canada, to invest at least 70% of each note subscription deposit received prior to October 1, 2001.

Minimum holding period and maturity of the note

The five year term (minimum holding period) of each note will commence on its investment date, being the date when at least 70% of the note subscription deposit is invested in eligible businesses. Each note will mature five years from its investment date, provided SGGF VII maintains at least 70% of the note subscription deposit continuously invested in the active business operations of eligible businesses for five years following the investment date. The IIP contains provisions which require that the five year term to maturity of a note be extended if, and for so long as, a minimum of 70% of the note subscription deposit ceases to be invested in the active business operations of eligible businesses.

If the note subscription deposit has not been at least 70% invested within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the deposit is initially invested, the investor will receive an additional payment as compensation for the extended term to maturity of their note.

CrownAg International Inc.

4. Portfolio investments

Par ($)	Issuer	Rate (%)	Maturity Date	2001 Cost ($)	2000 Cost ($)
2,500,000	Govt of Canada T Bill	3.03	3/1/02	2,479,825	-
5,500,000	Govt of Canada T Bill	4.40	28/2/02	5,280,385	-
2,000,000	Govt of Canada T Bill	4.44	25/4/02	1,915,200	-
1,500,000	Govt of Canada Bond	5.00	1/9/04	1,492,635	-
1,920,000	Govt of Canada Bond	6.00	1/9/05	1,969,600	-
13,377,960	Bankers' Acceptances			-	13,377,960
				$ 13,137,645	$ 13,377,960

5. Investments

	2001	2000
Debt	$ 3,998,180	$ -
Equity	819,783	-
	$ 4,817,963	$ -

During the year, investments increased as follows:

	2001	2000
Balance, beginning of year	$ -	$ -
New investments	4,940,984	-
Repayments	(123,021)	-
Balance, end of year	$ 4,817,963	$ -

6. Deferred costs

Deferred costs have been recorded net of accumulated amortization of $275,490 (2000 – $91,205).

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $nil (2000 – $82,460) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VII. This amount is based on the retained earnings of SGGF VII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

8. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon note issuance.

9. Obligations to investors

Notes – 1½% to 3½% unsecured promissory notes.

The obligation at December 31 is comprised of:

		2001	2000
31 notes (2000 – 32 notes)	1.50%	$ 7,750,000	$ 8,000,000
5 notes (2000 – 5 notes)	2.50%	1,250,000	1,250,000
9 notes (2000 – 5 notes)	2.60%	2,250,000	1,250,000
2 notes (2000 – 2 notes)	2.80%	500,000	500,000
47 notes (2000 – 44 notes)		$ 11,750,000	$ 11,000,000

At December 31, 2001, SGGF VII has not met the 70% investment requirement for a number of notes that have been issued. As a result, the minimum five-year holding period for those investors that hold these notes has been extended or has not yet commenced.

The following is the estimated redemption schedule for note repayments under the terms of the Memorandum for the year ended December 31:

2006	$ 7,000,000
2007	4,750,000
	$ 11,750,000

10. Share capital

The authorized common share capital of SGGF VII at December 31 is:

Common shares – an unlimited number of voting common shares. Holders of the common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2001	2000
1,000 common shares	$ 1,000	$ 1,000

11. Financial instruments

SGGF VII's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF VII's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SGGF VII is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SGGF VII invests. Some of the companies in which SGGF VII invests are dependent upon a single product or industry. SGGF VII manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF VII restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SGGF VII conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SGGF VII's earnings will decline due to fluctuations in interest rates. SGGF VII manages this risk through careful monitoring and matching the duration of its portfolio investments and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SGGF VII will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SGGF VII's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SGGF VII's obligations to investors. SGGF VII carefully monitors the duration of its investments. However, these timing differences may require SGGF VII to reduce or delay the payments owing on its obligations to investors at maturity.

Burton Cabinets Ltd

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Deficit in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SGGF VII invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SGGF VII. In addition to earning a nominal return on their capital, their investment in SGGF VII helps satisfy a portion of their visa requirements under the IIP. Each investment in SGGF VII is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

12. Administration

Under the terms of a ten year Management Agreement, expiring in 2009, between SGGF VII and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF VII with the assistance of a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF VII. All services provided to SGGF VII are charged on a fee for service basis. The breakdown of costs is as follows:

	2001	2000
Fund manager fees	$ 329,462	$ 70,983
Fund manager profit share	(82,460)	82,460
Salaries and benefits	-	26,105
General administration	5,756	24,491
Directors fees and expenses	8,777	5,498
Legal and professional	16,531	9,974
	$ 278,066	$ 219,511

Fund manager profit share is a (recovery of) provision for future fees payable to the fund manager under the terms of its management services agreement with SGGF VII. This amount is based on the retained earnings of SGGF VII and payable to the fund manager only upon redemption of all notes and satisfaction of all other liabilities of the fund.

13. Net change in non-cash balances related to operations

	2001	2000
Accounts receivable and accrued income	$ (456,149)	$ (21,716)
Deferred costs	(458,000)	(585,501)
Accounts payable and accrued liabilities	72,004	84,296
Commissions payable	(27,500)	(46,000)
Accrued interest payable to investors	433,139	5,067
	$ (436,506)	$ (566,854)

14. Income taxes

Greater than 90% of the issued shares of SGGF VII are owned by a provincial Crown corporation. Therefore, SGGF VII is income tax exempt.

15. Commitments

The total amount of investments approved but not yet disbursed is $180,917 (2000 – $nil).

16. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF VII is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 12, SGGF VII is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid or payable to SGGF Management Corporation during the year amounted to $278,066 (2000 – $219,511).

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Burton Cabinets Ltd.

CrownAg International Inc.

Quantus Energy Ltd

SASKATCHEWAN GOVERNMENT GROWTH FUND VII LTD.

CORPORATE DATA (as at December 31, 2001)

Saskatchewan Government Growth Fund VII Ltd.
Suite 1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 787-2994 Fax: (306) 787-2086
Email: sggf@crowncapital.ca

Board of Directors

Wilson Olive, Chair
Lawyer
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Joanne Forer
Businesswoman
Melfort, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Keith Rissling
Businessman
Saskatoon, Saskatchewan

Grant Scharfstein
Lawyer
Saskatoon, Saskatchewan

Officers

Wilson Olive, Chair
Gary Benson, President

Fund Manager

Crown Capital Partners Inc.
Brian Johnson, Managing Partner
Gary Benson, Partner Responsible for SGGF
Chris Anderson, Partner
Rob Duguid, Partner
Chris Johnson, Partner
Alan Rowe, Partner
Chris Selness, Partner
Stephan von Buttlar, Partner

Suite 1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 546-8000 Fax: (306) 546-8009
Email: ccp@crowncapital.ca

Auditors

Deloitte & Touche
Chartered Accountants
900 – 2103 11th Avenue
Regina, Saskatchewan S4P 3Z8

Banker

Bank of Montreal
1800 Scarth Street
Regina, Saskatchewan S4P 2G3

Distribution Agents

Nexus Marketing Corporation
5th Floor, 191 Lombard Avenue
Winnipeg, Manitoba R3B 0X1

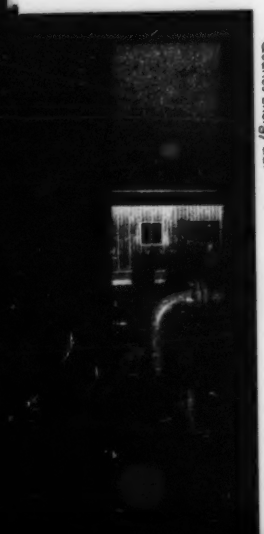
Cornwallis Financial Corporation
5475 Spring Garden Road, Suite 303
Halifax, Nova Scotia B3J 3T2

Legal Counsel

McDougall Gauley
Suite 700 – 2010 11th Avenue
Regina, Saskatchewan S4P 0J3

Trustee and Transfer Agent

CIBC Mellon Trust Company
One Lombard Place
Suite 750
Winnipeg, Manitoba R3B 0X3



Quantus Energy Ltd.

Prairie Plant Systems Inc.

Quarrus Energy Ltd.

Burton Cabinets Ltd.

SASKATCHEWAN GOVERNMENT GROWTH FUND VII LTD.